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Standby Fee Application Report Format



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INTRODUCTION

Definition of a Standby Fee

This Standby Fee Application Report Format has been published to assist in the preparation of standby fee applications by water districts.

The information requested herein should be filed with the application in the form of a report. The report may be completed by the district's staff or consultants. The report should conform to that shown herein, with all titles, subtitles, and references copied. The report has been structured in such a manner to provide guidance in the preparation of a complete application. All information and documents requested should be provided if it is applicable to the application.

As defined by Section 293.141(a) of the Texas Natural Resource Conservation Commission rules (also known as Title 30 Texas Administrative Code), a standby fee is a charge, other than a tax, imposed on undeveloped property for the availability of water, wastewater, or drainage facilities and services.

Further, as defined by Section 293.141(b) of the commission rules, undeveloped property is a tract, lot, or reserve in the district to which no vertical improvements and no water or wastewater connections or drainage services have been made to serve the property utilizing substantially the full amount of the capacity allocated to the property, as indicated in the district's land development plan submitted with creation applications, bond applications (including supporting documents), or by written commitment, and for which:

- (1) any portion of water, wastewater, or drainage facilities and services are available;
- (2) water supply or wastewater treatment plant capacity or drainage capacity sufficient to serve any portion of the property is available; or
- (3) major water supply lines or wastewater collection lines or major drainage outfall facilities with capacity sufficient to serve any portion of the property are available.

Purpose

The intent of the standby fee is to distribute a fair portion of the cost for operating and maintaining the facilities, and for sharing capital costs of the facilities to owners of property who have not constructed improvements but have potable water, wastewater, or drainage capacity available.

Standby fees may be used to pay operation and maintenance costs associated with maintaining the district's utility facilities, and/or to pay debt service payments on bonds outstanding for water, wastewater, or drainage facilities.

The commission may approve a standby fee only if it finds that the fee is necessary to maintain the financial integrity and stability of the district and fairly allocates the costs of district, facilities and services among property owners of the district.

Abbreviations

The following abbreviations are used in this document:

AV - Certified Assessed Valuation
BF - Bond Funds
BI - Bond Issue
D - Drainage
DS - Debt Service
DSR - Debt Service Requirement
ESFC - Equivalent Single Family Connection
O&M - Operation(s) and Maintenance
SBF - Standby Fee
W - Water
WW - Wastewater

History/Background

Prior to 1989

Prior to 1989, Municipal Utility Districts (MUDs) and Water Control and Improvement Districts (WCIDs) with an assessed valuation more than 15 times greater than their debt were prohibited from levying fees and charges (now called standby fees) on undeveloped property unless commission approval was obtained as outlined in the Texas Water Code, Section 50.056. Other types of districts with assessed valuations less than 15 times their debt were not required to seek commission approval to levy standby fees. Standby fees did not carry lien status.

1989 to 1995

Water Code Section 50.056 was revised by act of the 71st Legislature in 1989 to define standby fees and the process for their approval. Commission Rules Chapter 293.141-152 were adopted effective August 28, 1989. These changes gave MUDs and WCIDs the authority to place a lien equivalent to a tax lien on property for non-payment of standby fees. The statute required commission approval of the fee before a lien could be attached. Districts which had adopted standby fees prior to this date were not required to seek commission approval except upon written protest of the fee by a property owner. Districts other than MUDs and WCIDs were not allowed to apply for commission approval to levy a standby fee under these provisions. Also, the assessed valuation to debt comparison was no longer used as an eligibility test.

After 1995

On September 1, 1995, Texas Water Code, Chapter 49 became effective. Standby fees are included in Section 49.231 (Section 50.056 was repealed). Two major changes associated with the new language are (1) the inclusion of stormwater drainage costs and associated debt, and (2) all types of water districts providing retail water, wastewater and/or drainage services are eligible to seek commission approval to levy standby fees and obtain lien status on property.

Subsequently, on August 28, 1996, the commission approved revised 30, TAC Rules, which included modifications to Sections 293.141 through 293.150 relating to standby fees to reflect changes as a result of 49.231.

Terms and Phrases

(As Applicable to Standby Fees)

Available Facilities and Services

Actual constructed facilities which could be used for their intended purpose.

Capacity Allocated to the Property

Water, wastewater, or drainage facilities available to serve any property within the district programmed for development as indicated in the district's land plan proposed at creation, commission-approved bond issue(s), or commission-approved change in development plan.

Capitalized Funds

Funds which were included in a commission-approved bond issue as a line item designated for operating expenses, or any significant amount of unallocated surplus construction funds which are not currently designated for any project.

Facilities

Water, wastewater, or drainage facilities necessary for the development of a district, including but not limited to plants, delivery and collection pipelines, pumping stations, detention ponds, ditches, and trunk lines.

Financed by the District

Facilities financed by the district with funds from the sale of bonds or any other means.

Note: O & M standby fees may be levied against undeveloped properties being served by utilities not necessarily financed by the district, but debt service standby fees should only be levied against undeveloped properties served by utilities which have been financed by the district. The method of financing facilities may affect the recommended standby fee for debt service.

Fixed Costs

The required costs associated with the ongoing operation of a district which are not dependent upon growth in the district and which do not fluctuate appreciably. See Appendix for example.

Variable Costs

Those operating costs in excess of the fixed costs required to operate a district's water, wastewater, or drainage

system. These costs usually fluctuate with the number of customers in the district. See Appendix for example.

Level (or Tier) of Service

The extent (or tier) of facilities and/or capacity and related services available to a group of connections or certain tracts of land within a district.

Sufficient capacity

Any amount of available, unallocated capacity in a district's water, wastewater, or drainage facility capable of serving additional connections.

Equivalent Single-Family Connection (ESFC)

A standardized measure of consumption, use, generation, or discharge attributable to an individual unit of development, calculated in accordance with generally accepted engineering or planning standards. Unless otherwise defined, an ESFC is equivalent to a service connection for a single-family home with 3.5 persons using approximately 160 gallons of water and conveying approximately 100 gallons of wastewater per capita per day.

Inactive Connection

Relating to an O&M standby fee, a property with completed vertical improvements to which no minimum utility bill is being charged.

GENERAL INFORMATION

Provide the following information and data relating to the district's standby fee application for the latest tax year:

General Data

- a) Standby fees, if any = \$ _____
- b) DS Tax Rate = \$ _____
- c) Maintenance Tax Rate = \$ _____
- d) Voter Authorized Maintenance Tax Rate = \$ _____
- e) Other Tax(es) Attributable to W/WW/D = \$ _____
- f) Unallocated Surplus Funds Balance = \$ _____ as of _____
- g) Total Number of Ultimate Developable Lots or ESFCs or Acreage = _____
- h) Number of Active ESFCs = _____
- i) Number of Inactive ESFCs = _____
- j) Number of Undeveloped (Vacant) Lots or ESFCs or Acreage = _____

General Operations & Maintenance Data

- a) Requested Total Annual O & M SBF (estimate the fee if requesting the maximum allowed by Commission Rules) = \$ _____
- b) General Fund (Operating Account) Balance = \$ _____ as of _____ (beginning of current fiscal year)
- c) Residential Service Rates for 10,000 gallons water and wastewater service per month = \$ _____
- d) Average ESFC Water Usage (per month) = _____ Gal.

General Debt Service Data

- a) Beginning DS Fund Balance (Balance at Beginning of Proposed Standby Fee Period)= \$ _____
 - b) Total DS Requirement in 1st SBF Year = \$ _____
 - c) Total DS Requirement in 2nd SBF Year = \$ _____
 - d) Total DS Requirement in 3rd SBF Year = \$ _____
 - e) Average DS Requirement for the three SBF years = \$ _____
 - f) No. Years DS Payments Remaining = _____
 - g) Latest Certified AV = \$ _____
 - h) 2nd SBF Year projected AV = \$ _____
 - i) 3rd SBF Year projected AV = \$ _____
- Note: If growth in AV is projected, provide historical data supporting the projected growth.
- j) % Interest expected on DS Fund = _____
 - k) Requested Total Annual DS SBF (estimate the fee if requesting the maximum allowed by Commission Rules): = \$ _____
 - l) Max. Allowable DS Tax Rate for County Less Maintenance Tax, etc. (293.59(k)(3)) = \$ _____
 - m) % of BI for Drainage Facilities = _____ %;
 % of BI for W and WW Facilities = _____ %
 - n) Average Value of Unimproved Lot, Acre, or ESFC = \$ _____
 - o) Average Value of Improved Lot, Acre, or ESFC = \$ _____
 - p) Current Outstanding District Bond Debt = \$ _____
 - q) District Debt: AV Ratio = _____ %
 - r) Provide a table showing a cost comparison of actual bonds sold vs. bonds approved for each of the District's bond issues with separate costs shown for water, wastewater, and drainage facilities for each section. This item may be included as an attachment.
 - s) Provide a table indicating levels of service (tiers) for which the SBF is based, and the percent of actual BI costs (DS requirements) associated with each.

OPERATION AND MAINTENANCE FEES

Eligibility Tests

Pursuant to commission rule 30 TAC 293.143(b), a district requesting approval of standby fees to supplement its operations and maintenance account must answer yes to the following questions:

- a. With the exception of a three-month reserve, are all capitalized funds or reserves for operating purposes derived from all prior bond issues depleted or projected to be depleted within the proposed SBF period?
___ Yes ___ No
- b. Is the operation and maintenance fund operating at a deficit or projected to operate at a deficit without developer contributions or loans within the proposed SBF period? ___ Yes ___ No

This must be answered assuming the district's rate for 10,000 gallons of residential water and wastewater service is at least \$30.00 per month. If the district is providing only water or only wastewater service, this must be answered assuming the district's monthly rate for service is at least \$22.00 per month. If the district's actual rates are lower, use the assumed rates; if the district's rates are higher, use the district's actual rates. Projected revenue should be based on actual usage.

Application Requirements

- a) Provide a filing fee in the amount of \$100;
- b) Provide a certified copy of a board resolution which contains a request for commission approval of the fee and which states the designated fund to which standby fee revenues will be applied, the amount of the fee, the intervals or periods of billing for such standby fees (either monthly, quarterly or annually), and the projected maintenance tax rate over the SBF period;
- c) Provide a proposal for the standby fee amount including calculations to show how the standby fee was derived, unless the district requests (by Board Resolution) the maximum amount allowable under commission rules;
- d) Provide a map of the district (not larger than 24 inches by 36 inches, and a reduced 8 1/2 x 11 copy) that clearly designates the properties against which the proposed standby fee will be levied. If such information is not available within commission files, the commission staff may require that water, wastewater, or drainage facilities serving those properties be identified. An accounting of water supply, wastewater treatment facilities, or drainage facilities and capacity available in those facilities may also be required;
- e) Provide a table indicating the ultimate number of connections, according to section, for which the district has water, wastewater, or drainage facilities. Indicate active connections, inactive connections, and the number of connections attributable to undeveloped property;

- f) Provide a copy of the district's operating budget for the past two years and the proposed budget for the coming year. For the proposed budget, indicate those fixed costs required to operate and maintain the water, wastewater, and/or drainage facilities, including a proportionate share of consultant and organizational fees and those expenses not related to operating and maintaining the district's water, wastewater, and/or drainage facilities, such as operating a recreational facility;
- g) Provide an indication of revenues available for operation and maintenance costs and the sources of those revenues. Include water consumption records, wastewater flow records, and/or drainage maintenance records (if used in determining the charge for service) for the previous two years and projected for the coming year as reflected in the proposed budget;
- h) Provide a certified copy of the district's most current Rate Order establishing the water and/or wastewater rates and/or drainage charges, as applicable;
- i) If non-uniform O&M SBFs are proposed, provide specific budget designations and/or specific operation and maintenance agreements associated with the properties proposed for SBF levy.

DEBT SERVICE FEES

Eligibility Tests

Pursuant to commission rule 30 TAC 293.142(a), a district requesting approval for the levy of standby fees to supplement its debt service account must answer yes to the following questions:

- a. Does the district's combined tax rate as defined in commission rule 30 TAC 293.59(f) and calculated pursuant to commission rule 30 TAC 293.142(c)(1), excepting standby fees and developer contributions, for the period for which standby fees are proposed, exceed the tax rate limit of commission rule 30 TAC 293.59(k)(3)? ___Yes ___No
- b. Is the district's actual buildout less than the buildout proposed in the district's most recent bond issue? ___Yes ___No

Provide a table which illustrates the district's actual buildout vs. the buildout projected in the district's last bond issue.

Application Requirements

- a) Provide a filing fee in the amount of \$100.
- b) Provide a certified copy of a board resolution which contains a request for commission approval of the fee and which states the designated fund to which standby fee revenues will be applied, the amount of the fee, the three years for which the fee is proposed for levy, and the projected DS and O&M tax rates the district expects to achieve with the requested SBF levy.
- c) Provide a map of the district (not larger than 24 inches by 36 inches) that clearly designates the properties against which the proposed standby fee will be levied. Also, provide a reduced 8 1/2 x 11-inch black and white copy of this map. If such information cannot be located in commission files, the commission staff may require that water, wastewater, and/or drainage facilities serving those properties and financed by the district be identified.
- d) Provide a copy of the most recent tax appraisal roll by the Central Appraisal District accompanied by a table prepared by the district which delineates the district's assessed valuation. The table should list each component of the district's assessed valuation attributable to raw acreage and acreage with and without vertical improvements. The component attributable to acreage with vertical improvements should be further divided into single family residential sections according to similar home value, multi-family sections, commercial sections, industrial sections, and any other type of vertical development existing within the district;
- e) Provide a table which compares the cumulative buildout for the current fiscal year to the cumulative buildout for the same fiscal year projected at the time of the district's most recent bond issue. Indicate

according to section, the number of lots, homes, commercial and industrial development, etc., and raw acreage within the district.

- f) Provide a list by source of the following tax rates:
 - (A) the combined tax rate projected at the time of the most recent bond issue;
 - (B) the actual combined tax rate set for the current fiscal year; and
 - (C) the combined tax rate projected over the period during which the standby fee will be levied. Any increases in assessed valuation for this calculation should be based on the district's historical growth rate.
- g) Provide a debt service schedule for all bonds outstanding.
- h) Provide a cash flow table based on the reduced combined projected tax rate the district expects to achieve through the standby fee levy. Distinguish between debt service revenues obtained from taxes and other sources of debt service revenues. List as a separate column the additional revenues required to produce the reduced debt service tax rate. Any increases in assessed valuation shown on this table should be based on the historical buildout rate experienced in the district. If the district's assessed valuation has been declining, show the assessed valuation as fixed at the current value. Use the latest certified assessed value or estimated assessed valuation provided by the central appraisal district.
- i) Provide a comparison of the actual versus the approved cost summary from the district's most recent bond issue, with separate costs shown for water, wastewater, and drainage projects.

Note: Only one \$100 filing fee is required regardless of whether the application is for debt service, O&M, or both.

Calculations

Provide the calculations to support the requested SBF; or the district may request to levy the maximum allowable under Commission Rules, and staff will calculate the maximum allowable fee.

If the district proposes a tiered (non-uniform) fee, calculations should be provided for each level of fees. The basis for the level(s) of service (tiers) should also be described. Sample calculations can be found in the Appendix.

APPENDIX

EXHIBITS

Example Fixed/Variable Percentage of Costs Breakdown

Typical O/M Fixed vs. Variable Costs Breakdown

Typical Maps

- District Boundary/Development Map

- Water, Wastewater and Drainage Map

- Uniform Standby Fee Map

- Non-Uniform (Multi-Tier) Standby Fee Map

Typical O&M Standby Fee Calculations

Typical Debt Service Standby Fee Calculations

- Uniform Fee

- Non-uniform Fee

Example Fixed/Variable Percentage of Costs Breakdown

The following table represents the format that should be followed to itemize operation and maintenance expenses as well as the allocation of water, wastewater and/or drainage expenses between fixed and variable costs. Fixed costs are those costs considered necessary to ensure that districts water, wastewater, and/or drainage systems are capable of providing service with no customers using the system. Variable costs are those costs which fluctuate with customer usage. The percentages below are the percentages that will be used by the Commission's staff when reviewing applications for approval of standby fees for operation and maintenance expenses unless otherwise justified. If a district can justify costs which would result in different percentages than below, the staff will consider those costs (percentages) when evaluating a proposed standby fee.

<u>O&M Expenses</u>	<u>Total Cost</u>	<u>W, WW, D Cost</u> ⁽¹⁾	<u>Fixed Costs</u> ⁽²⁾	<u>Variable Costs</u> ⁽²⁾
Salaries & Wages	\$	\$	\$ (75%)	\$ (25%)
Contract Labor			(75%)	(25%)
Office Supplies			(100%)	(0%)
Office Rent			(100%)	(0%)
Directors Fees			(100%)	(0%)
Travel			(100%)	(0%)
Sludge Removal			(0%)	(100%)
Chemicals			(25%)	(75%)
Testing			(25%)	(75%)
Purchased Water			(10%)	(90%)
Legal			(100%)	(0%)
Engineering			(100%)	(0%)
Bookkeeping			(100%)	(0%)
Audit			(100%)	(0%)
Repairs & Maintenance			(75%)	(25%)
Permits, Public Notices, etc.			(100%)	(0%)
Insurance			(100%)	(0%)
Utilities			(25%)	(75%)

Notes:

- (1) Of the total expense for each item, indicate amount attributable to operation of the water, wastewater, and/or drainage systems, depending on the services for which the fee is based.
- (2) For each item, separate the amount attributable to water, wastewater, and/or drainage costs between fixed and variable costs according to the percentages shown unless documentation is provided which adequately supports different percentages.

It is recognized that a district may not incur all of the expenses listed above and may have other expenses than those listed. Other expenses than those listed could also be separated between fixed and variable costs along with an explanation of the cost split.

Typical O&M Fixed vs. Variable Costs Breakdown

FEE FOR WATER AND WASTEWATER EXPENSES

O&M Expense <u>Item</u>	Amount Per <u>Budget</u>	W & WW <u>Cost</u>	<u>Fixed Cost</u>	Variable <u>Cost</u>
Operator	\$ 48,000	\$ 35,000	\$ 26,250(75%)	\$ 8,750
Office Supplies	2,000	1,200	1,200(100%)	0
Directors Fees	3,000	1,800	1,800(100%)	0
Directors Travel	1,500	900	900(100%)	0
Sludge Removal	6,000	6,000	0	6,000
Chemicals	8,000	4,800	1,200(25%)	3,600
Testing	6,000	3,600	900(25%)	2,700
Legal	12,000	7,200	7,200(100%)	0
Engineering	6,000	3,600	3,600(100%)	0
Bookkeeper	9,000	5,400	5,400(100%)	0
Audit	2,000	1,200	1,200(100%)	0
Repairs & Maintenance	15,000	12,000	9,000(75%)	3,000
Permits, Public Notices	2,000	2,000	2,000(100%)	0
Insurance	5,000	3,000	3,000(100%)	0
Utilities	20,000	16,000	4,000(25%)	12,000
Swimming Pool Repairs	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	\$ 147,500	\$ 103,700	\$ 67,650	\$ 36,050

EXAMPLE O & M FIXED/VARIABLE BREAKDOWN BASED ON REQUESTED O & M
FEE FOR WATER, WASTEWATER & DRAINAGE EXPENSES

O&M Expense <u>Item</u>	Amount Per <u>Budget</u>	W,WW & D <u>Cost</u>	<u>Fixed Cost</u>	Variable <u>Cost</u>
Operator	\$ 48,000	\$ 38,400	\$ 28,800(75%)	\$ 9,600
Office Supplies	2,000	1,600	1,600(100%)	0
Directors Fees	3,000	2,400	2,400(100%)	0
Directors Travel	1,500	1,200	1,200(100%)	0
Sludge Removal	6,000	6,000	0	6,000
Chemicals	8,000	4,800	1,200(25%)	3,600
Testing	6,000	3,600	900(25%)	2,700
Legal	12,000	9,600	9,600(100%)	0
Engineering	6,000	6,000	6,000(100%)	0
Bookkeeper	9,000	7,200	7,200(100%)	0
Audit	2,000	1,600	1,600(100%)	0
Repairs & Maintenance	15,000	15,000	11,250(75%)	3,750
Permits, Public Notices	2,000	2,000	2,000(100%)	0
Insurance	5,000	4,000	4,000(100%)	0
Utilities	20,000	16,000	4,000(25%)	12,000
Swimming Pool Repairs	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	\$ 147,500	\$ 119,400	\$ 81,750	\$ 37,650

Maps

District Boundary/Development Map

Water Distribution Map

Wastewater Collection Map

Storm Drainage Map

Uniform Standby Fee Map

Non-Uniform (Multi-Tier) Standby Fee Map

Typical O&M Standby Fee Calculations

Uniform Fee
For Water, Wastewater and Drainage Expenses

<u>O&M Revenue Item</u>	<u>Budgeted Amount</u>	
Water & WW service	\$ 96,000	(250 active ESFCs x 12 x \$32 month for \$9,000 gallons of usage)
Penalties	2,000	
O&M Tax	23,750	(\$25,000,000 AV x \$0.10 O&M tax x 95% collection)
Standby Fees	20,750	
Swimming Pool User Fees	<u>6,000</u>	
	\$ 147,500	

O&M Expenses

Test 1: Budget Deficit Test

$$\begin{aligned} & \$148,500 - \$20,750 - \$147,500 = (-) \$19,750 \text{ (deficit)} \\ & \$19,750 \div 300 \text{ undeveloped lots} \div 90\% = \$73 \text{ per ESFC per year} \end{aligned}$$

Test 2: Rates for 10,000 Gallons Usage Test

$$\$34.00 \times 12 = \$408 \text{ per ESFC per year}$$

Test 3: Fixed Cost Test

$$\begin{aligned} & \text{of ESFCs} = 570 \text{ (250 active + 20 inactive + 300 undeveloped)} \\ & \text{Fixed cost} = \$81,750. \$81,750 \div 570 \div 90\% = \$159 \text{ per ESFC per year} \end{aligned}$$

Therefore, Test 1 controls, but allow for build-up of 3 month reserve in year 1.

Current O&M balance = \$20,000 (if balance is negative assume \$0 for this calculation).

$$\$147,500 \div 4 = \$36,875 - \$20,000 \text{ existing} = \$16,875 \div 300 \div 90\% = \$62 \text{ per ESFC per year}$$

Year 1 allowable fee = \$73 + \$62 = \$135 per ESFC; Years 2 & 3 allowable fee = \$73 per ESFC

Debt Service Standby Fee Calculations

Uniform Fee

Example of Debt Service Calculations for a Uniform Standby Fee for Water & Wastewater Expenses
Averaged Over the Three Year Period

Data:

Current DS fund balance	=	\$ 200,000
DS Requirement year 1 of standby fee	=	\$ 605,000
DS Requirement year 2 of standby fee	=	\$ 610,000
DS Requirement year 3 of standby fee	=	\$ 606,000
Average DS Requirement	=	\$ 607,000
No. Years DS remaining	=	12
Average Value Improved Parcel	=	\$ 80,000
Average Value Unimproved Parcel	=	\$ 2,000
Undeveloped ESFCs	=	300

No increase in AV.

Yearly drawdown = $[\$200,000 - (\$607,000)(25\%)] \div 12 = \$4,021$
(if calculates to be a negative then assume \$0)

Interest earnings year 1 = $(\$200,000)(5\%) = \$10,000$

Interest earnings year 2 = $(\$200,000 - \$4,021)(5\%) = \$9,799$

For this example assume 2 years interest is averaged over 3 year period $\frac{\$10,000 + \$9,799}{3} = \$6,600$

% of DS requirements related to water & wastewater = 65%

Test 1

DS tax rate = \$1.40 (\$1.50 per rule for Harris County - \$0.10 O&M tax)

$\$607,000 = (\$25,000,000/100)(.95)(\$1.40) + (.90) \text{ SBF Levy} + \$6,600 + \$4,021$

SBY Levy = $\$293,199 \div 300 = \977 per ESFC

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Test 2

Equation 1: $\text{DSR} = \text{Tax Revenue} + \text{SBF Revenue} + \text{Interest Income} + \text{Drawdown.}$

Equation 2: $\text{DS Tax Improved ESFC} = \text{DS Tax undeveloped ESFC} + \text{SBF undeveloped ESFC.}$

Equation 1: $\$607,000 (.65) = (\$25,000,000/1.00)(.95)(\text{Tax W,WW}) + (.90) \text{ SBF Levy} + (.65)(\$6,600) + (.65)(\$4,021)$

Equation 2: $\frac{\$80,000}{100}(\text{Tax W,WW}) = \frac{\$2,000}{100}(\text{Tax W,WW}) + \text{SBF per ESFC}$

Simplify Eq. 1: $\$387,646 = 237,500(\text{Tax W,WW}) + (.90) \text{ SBF Levy}$

Eq. 2: $\text{SBF per ESFC} = (780)(\text{Tax W,WW})$

Insert Eq. 2 into Eq. 1 with SBF Levy = $(300)(\text{SBF per ESFC})$

$\$387,646 = 237,500(\text{Tax W,WW}) + (.90)(300)(780)(\text{Tax W,WW})$

$$\text{\$387,646} = 448,100(\text{Tax W,WW})$$

$$\text{Tax W,WW} = \text{\$0.86509}$$

$$\text{SBF per ESFC} = (780)(\text{\$0.86509}) =$$

$$\text{\$674 per ESFC}$$

=====

$$\text{Test 2 controls. Maximum allowable fee} =$$

$$\text{\$674 per ESFC per year}$$

=====

Non-Uniform Fee

EXAMPLE OF DEBT SERVICE CALCULATIONS FOR A NON-UNIFORM FEE FOR WATER, WASTEWATER & DRAINAGE EXPENSES AVERAGED OVER THE THREE YEAR PERIOD

Data:

Current DS fund balance	=	\$ 200,000
DS Requirement year 1 of standby fee	=	\$ 605,000
DS Requirement year 2 of standby fee	=	\$ 610,000
DS Requirement year 3 of standby fee	=	\$ 606,000
Average DS Requirement	=	\$ 607,000
No. of years DS remaining =	12	
Avg. Value Improved S.F. lot = \$80,000 ⁽¹⁾		
Avg. Value Unimproved S.F. lot = \$2,000 ⁽¹⁾		
Unimproved S.F. lots = 300		
Avg. Value Improved Comm. acre = \$500,000 ⁽²⁾		
Avg. Value Unimproved Comm. acre = \$18,000 ⁽¹⁾		
Unimproved Commercial acres = 200		
No increase in assessed valuation of \$25,000,000		
Assumed interest rate on fund balance = 5%		
Tax Collection Rate = 95%		
Standby Fee Collection Rate = 90%.		
Yearly drawdown = [\$200,000 - (\$607,000 x 25%)] ÷ 12 = \$4,021		

- Notes: (1) From tax rolls provided
 (2) Estimated value from most recent bond issue since no actual improvements exist.

Interest earnings year 1 = (\$200,000)(5%) = \$10,000
 Interest earnings year 2 = (\$200,000 - \$4,021)(5%) = \$9,799
 Average of interest earnings over 3 years = (\$10,000 + \$9,799)/3 = \$6,600
 =====

Tier 1: Unused & Unallocated water & wastewater plant capacity available to entire undeveloped property including 300 single family lots and 200 commercial acres, with 45% of DS associated with those facilities.

Tier 2: Wastewater trunkline, water main, storm drainage trunk lines, and drainage channels capacity available to undeveloped property including 300 single family lots and 120 commercial acres, with 35% of DS associated with those facilities.

Tier 3: Internal subdivision water, wastewater & drainage lines available to undeveloped property including 300 single family lots, with 20% of DS associated with those facilities.

Test 1

DS Tax = \$1.40 (\$1.50 per rule for Harris County - \$0.10 O&M tax)
 \$607,000 = (\$1.40)(25,000,000/100)(.95) + (.90) SBF_{Levy total} + \$6,600 + \$4,021
 SBF_{Levy Total} = \$293,199
 =====

Test 2: Tier 1

$$\text{Eq. 1: } \$607,000(.45) = (\$25,000,000/100)(.95)(\text{Tax}_{\text{Tier 1}}) + (.90)(\text{SBF}_{\text{Levy tier 1}}) + (.45)(\$6,600) \quad (.45)(\$4,021)$$

$$\begin{aligned} \text{Eq. 2a: } \text{Tax}_{\text{tier 1}}(\$80,000/100) &= \text{Tax}_{\text{tier 1}}(\$2,000/100) + \text{SBF}_{\text{tier 1 - SF}} \\ \text{2b: } \text{Tax}_{\text{tier 1}}(\$500,000/100) &= \text{Tax}_{\text{tier 1}}(\$18,000/100) + \text{SBF}_{\text{tier 1 - Comm}} \end{aligned}$$

$$\text{Simplify: Eq. 1: } \$268,371 = \$237,500 \text{Tax}_{\text{tier 1}} + (.90) \text{SBF}_{\text{Levy tier 1}}$$

$$\text{Eq. 2a: } \text{SBF}_{\text{tier 1 - S.F.}} = \text{Tax}_{\text{tier 1}}(780)$$

$$\text{Eq. 2b: } \text{SBF}_{\text{tier 1 - Comm}} = \text{Tax}_{\text{tier 1}}(4,820)$$

$$\text{Insert Eq 2a + 2b into Eq. 1 with } \text{SBF}_{\text{tier 1}} = 300 \text{SBF}_{\text{tier 1-S.F.}} + 200 \text{SBF}_{\text{tier 1 - Comm.}}$$

$$\$268,371 = \$237,500 \text{Tax}_{\text{tier 1}} + .90[300(\text{Tax}_{\text{tier 1}})(780) + 200 (\text{Tax}_{\text{tier 1}})(4,820)]$$

$$\begin{aligned} \$268,371 &= \$237,500 \text{Tax}_{\text{tier 1}} + \$1,078,200 \text{Tax}_{\text{tier 1}} \\ \text{Tax}_{\text{tier 1}} &= \$0.20398 \end{aligned}$$

$$\text{SBF}_{\text{tier 1-S.F.}} = (780)(.20398) = \$159 \text{ per lot per year.}$$

$$\text{SBF}_{\text{tier 1-Comm}} = (4,820)(.20398) = \$983 \text{ per acre per year.}$$

Test 2: Tier 2

$$\begin{aligned} \text{Eq. 1: } \$607,000(.35) &= (\$25,000,000/100)(.95)(\text{Tax}_{\text{tier 2}}) + (.90)(\text{SBF}_{\text{Levy tier 2}}) \\ &\quad + (.35)(\$4,021) \end{aligned}$$

$$\text{Eq. 2a: } \text{Tax}_{\text{tier 2}}(\$80,000/100) = \text{Tax}_{\text{tier 2}}(\$2,000/100) + \text{SBF}_{\text{tier 2-S.F.}}$$

$$\text{2b: } \text{Tax}_{\text{tier 2}}(\$500,000/100) = \text{Tax}_{\text{tier 2}}(\$18,000/100) + \text{SBF}_{\text{tier 2-Comm.}}$$

$$\text{Simplify = Eq. 1: } \$208,733 = \$237,500 \text{Tax}_{\text{tier 2}} + (.90) \text{SBF}_{\text{tier 2}}$$

$$\text{Eq. 2a: } \text{SBF}_{\text{tier 2-S.F.}} = (780)\text{Tax}_{\text{tier 2}}$$

$$\text{Eq. 2b: } \text{SBF}_{\text{tier 2-Comm}} = (4,820)\text{Tax}_{\text{tier 2}}$$

$$\text{Insert Eq. 2a + 2b into Eq. 1 with } \text{SBF}_{\text{Levy tier 2}} = 300 \text{SBF}_{\text{tier 2-S.F.}}$$

$$+ 120 \text{SBF}_{\text{tier 2-Comm}}$$

$$\$208,733 = \$237,500 \text{Tax}_{\text{tier 2}} + (.90)[300(780)(\text{Tax}_{\text{tier 2}}) + 120(4,820)(\text{Tax}_{\text{tier 2}})]$$

$$\$208,733 = \$237,500 \text{Tax}_{\text{tier 2}} + \$731,160 \text{Tax}_{\text{tier 2}}$$

$$\text{Tax}_{\text{tier 2}} = \$0.21549$$

$$\text{SBF}_{\text{tier 2-S.F.}} = (780)(\$0.21549) = \$168 \text{ per lot per year}$$

$$\text{SBF}_{\text{tier 2-Comm}} = (4,820)(\$0.21549) = \$1,039 \text{ per acre per year}$$

Test 2: tier 3

$$\begin{aligned} \text{Eq. 1: } \$607,000(.20) &= (\$25,000,000/100)(.95)(\text{Tax}_{\text{tier 3}}) + (.90)(\text{SBF}_{\text{Levy tier 3}}) \\ &\quad + (.20)(\$6,600) + (20)(\$4,021) \end{aligned}$$

$$\text{Eq. 2a: } \text{Tax}_{\text{tier 3}}(\$80,000/100) = \text{Tax}_{\text{tier 3}}(\$2,000/100) + \text{SBF}_{\text{tier 3-S.F.}}$$

$$\text{Simplify \& insert Eq.2a into Eq. 1 with } \text{SBF}_{\text{tier 3}} = 300(\text{SBF}_{\text{tier 3-S.F.}})$$

$$\$119,276 = 237,500\text{Tax}_{\text{tier 3}} + (.90)[300(780)(\text{Tax}_{\text{tier 3}})]$$

$$\$119,276 = \$237,500 \text{Tax}_{\text{tier 3}} + 210,600 \text{Tax}_{\text{tier 3}}$$

$$\text{Tax}_{\text{tier 3}} = \$0.26618$$

$$SBF_{\text{tier 3-S.F.}} = 780 (\$0.26618) = \$208 \text{ per lot per year}$$

Test 2 Summary

	(1) # of lots or acres	(2) Fee per lot or acre Tier 1	(3) Fee per lot or acre Tier 2	(4) Fee per lot or acre Tier 3	(5) Total of Tiers 1, 2, & 3	(1) x (5) Total
Single Family	300	\$ 159	\$ 168	\$ 208	\$ 535	\$ 160,500
Commercial	120	\$ 983	\$ 1,039	0	\$ 2,022	\$ 242,640
Commercial	80	\$ 983	0	0	\$ 983	\$ 78,640
						\$ 481,780

Since total of \$293,199 for Test 1 is less than \$481,780 per Test 2 then \$293,199 is maximum and pro rate per totals for Test 2.

	# of lots or acres	Adjusted Maximum Fee
Single Family	300 lots $\$160,500 \times \frac{293,199}{481,780} = \$97,676 \div 300 = \$326 \text{ per lot}$	
Commercial	120 acres $\$242,640 \times \frac{293,199}{481,780} = \$147,665 \div 120 = \$1,231 \text{ per acre}$	
Commercial	80 acres $\$78,640 \times \frac{293,199}{481,780} = \$47,858 \div 80 = \$598 \text{ per acre}$	
		=====
		\$ 293,199